



BRITISH COLUMBIA

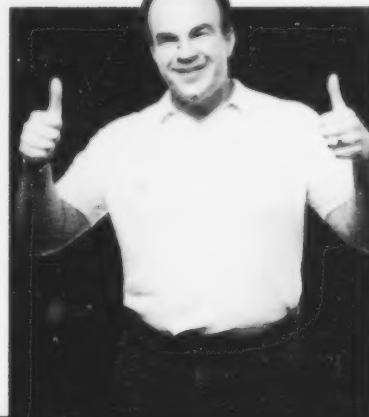
**Workers'
Compensation
Board
Superannuation
Plan**

**2006
ANNUAL
REPORT**

WORK SAFE BC

WORKING TO MAKE A DIFFERENCE

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**Workers' Compensation Board
Superannuation Plan**

2006

Annual Report

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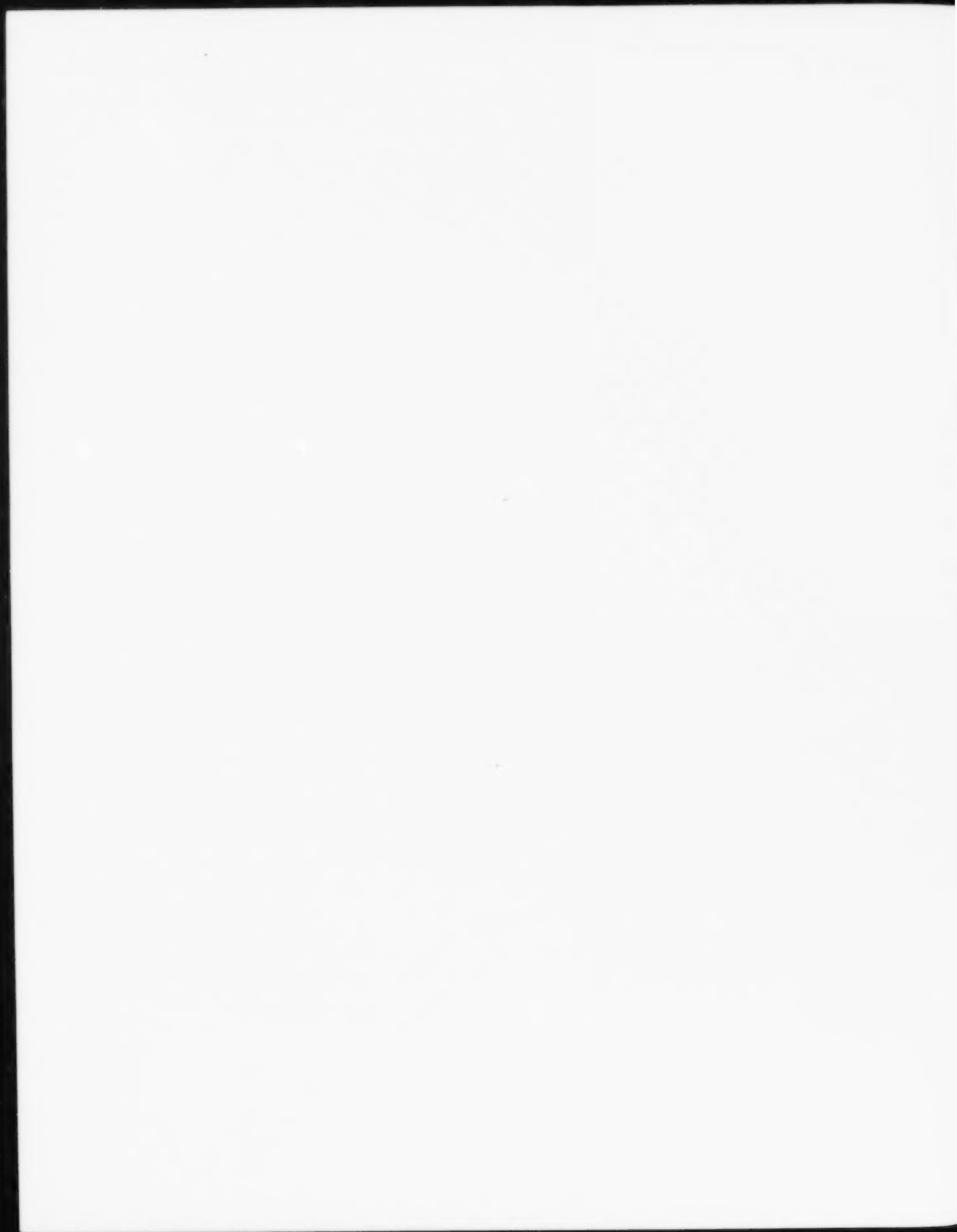
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Contents

Message from the Trustees	1
Plan Governance	3
Communications	3
Plan Membership	4
Contributions	5
Plan Benefits	6
Basic Pension (Guaranteed)	6
Indexing (Non-guaranteed)	6
Termination and Refund Benefits	9
Transferring Service	10
Purchase of Additional Service	11
Investments	12
Market Review	12
Approved Investment Asset Mix	14
Investment Portfolio	15
Investment Performance	20
Financial Health	21
Five-year Financial Summary	22
Financial Statements	23



Message from the Trustees

We are pleased to present our annual report for the fiscal year ending March 31, 2006. We welcome all new members to the Workers' Compensation Board Superannuation Plan.

The plan is financially sound and at March 31, 2006 had assets totalling \$833 million, an increase in assets of \$109 million (15%) since March 31, 2005. The most important issue for any pension plan is long-term results, and we're committed to achieving consistent and steady performance over the long term.

Every three years, an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates. The most recent actuarial valuation as at March 31, 2003, disclosed a net actuarial surplus of \$84 million. Your plan continues to be healthy and has registered satisfactory returns since the collapse of equity markets in 2001 and 2002. The next actuarial valuation will be as at March 31, 2006 and the trustees anticipate receiving a report late in 2006.

A summary of those results will appear in the 2007 Annual Report.

At the request of the WCB Retiree Employees Association, the Workers' Compensation Board sponsored a voluntary member pay dental plan for all retired members. Retired members are now being informed how they can take advantage of this program.

We're committed to ensuring that your pension plan is well managed, and we look forward to continuing to work on your behalf to fulfill the pension promise.



Owen Carr



Sid Fattedad

Trustees as at March 31, 2006

Plan Member Representative

Owen Carr

Workers' Compensation Board Representative

Sid Fattedad

Plan Governance

The Workers' Compensation Board (WCB) is responsible for the management of the pension plan, including the investment of the assets and administration of the plan. The WCB appoints plan trustees. Currently there are two trustees; one representing the WCB as the employer and one representing plan members.

The British Columbia Pension Corporation provides benefit administration services to the pension plan as an agent of the Workers' Compensation Board. The corporation enrolls members, collects contributions, processes benefits and issues pension payments.

The British Columbia Investment Management Corporation (bcIMC) provides investment management services as an agent of the Workers' Compensation Board. The bcIMC is one of the largest institutional investors in the country, offering a wide range of fund management services.

Communications

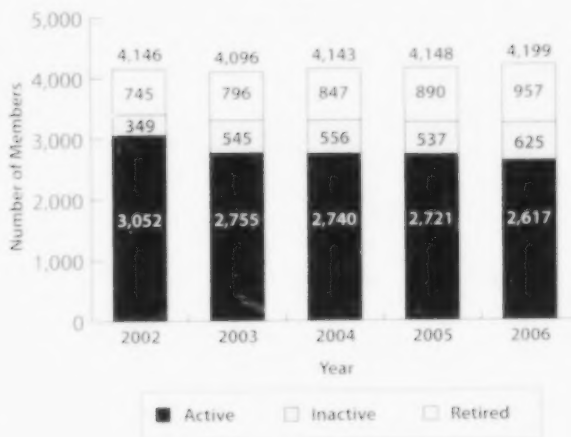
Communicating with plan members is a priority of the trustees. The Pension Corporation continues to improve the effectiveness of our pension information by ensuring all publications are easy to understand and easy to use. The plan produces the annual *Member's Benefit Statement*, and new and updated communications products are regularly published. Our website provides excellent pension plan information for members. The WCB pension website can be accessed at pensionsbc.ca.

Plan Membership

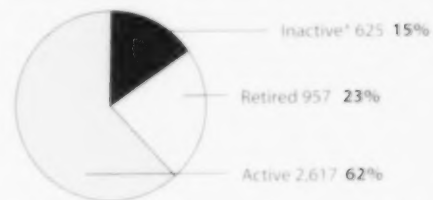
There are three types of members in the Workers' Compensation Board Superannuation Plan.

- ❖ **active**—those currently contributing, or on an approved leave of absence, or receiving benefits from an approved salary continuance plan
- ❖ **inactive**—those who have terminated their employment and left contributions in the plan. They may or may not be eligible for a pension in the future
- ❖ **retired**—those receiving a pension, including those receiving a disability pension

Number of Members
as at March 31



Membership Profile

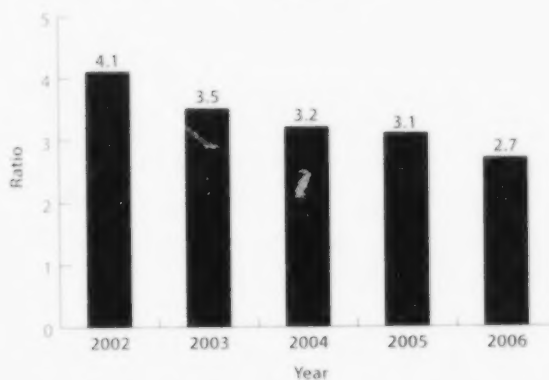


* Members no longer employed, but with money in the plan.

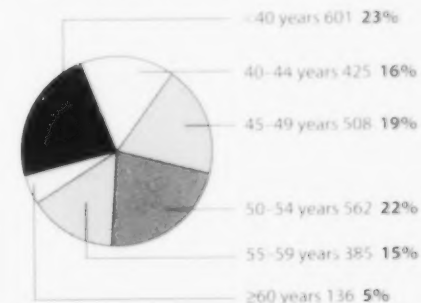
Active Member Profile



Ratio of Active Members to Retired Members
as at March 31



Age Profile of Active Members



Contributions

Members of the Workers' Compensation Board Superannuation Plan contribute to the plan through automatic deductions from their salary. Both plan members and WCB pay contributions to fund future pension benefits. Once a member terminates employment, retires, or reaches 35 years of pensionable service, they no longer contribute. The contribution rates in the table below are applied to pensionable salaries. The current rates are as follows:

Plan Member

- ❖ 5.5% of pensionable salary up to and including the YMPE,* and
- ❖ 7.0% of pensionable salary for salary in excess of the YMPE.*

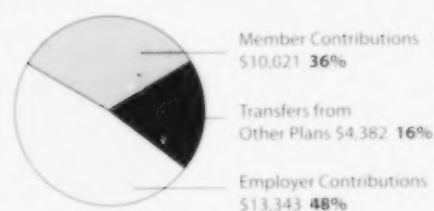
Employer

- ❖ 7.5% of pensionable salary up to and including the YMPE,* and
- ❖ 9.0% of pensionable salary for salary in excess of the YMPE.*

* Year's Maximum Pensionable Earnings (YMPE) is the earnings limit on which you make Canada Pension Plan contributions. The 2005 YMPE was 41,100 and in 2006 was increased to 42,100.

Contribution Revenue

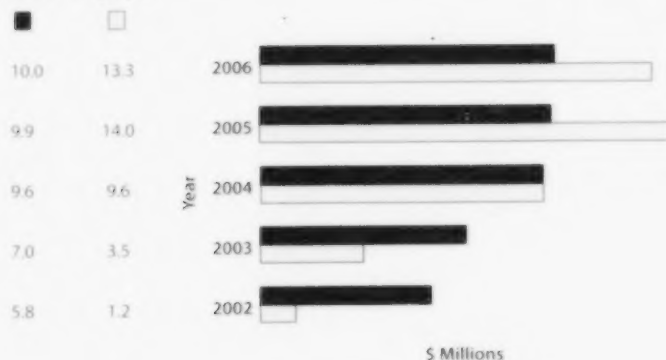
\$ Thousands



Contributions

year ended March 31

\$ Millions
Member Employer



Plan Benefits

Basic Pension (Guaranteed)

Plan benefits are defined by the pension plan rules. The basic pension benefit is defined, meaning the pension is based on how many pensionable years the member has accrued in the plan, the average of the best five years of salary (not necessarily the last five years) and age at retirement. The pension is not based on contributions to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that the pension is predictable. Members are entitled to a pension benefit after two years of contributory service and after having reached a qualifying age. The plan also provides survivor and disability benefits.

At March 31, 2006, the plan provided pensions to 957 retired members, an increase of 7.5% from the previous year.

The basic pension is paid from the Basic Account of the plan.

Indexing (Non-guaranteed)

Indexing is a non-guaranteed cost-of-living supplement to the basic pension. It is paid only to the extent that there is sufficient money in the Inflation Adjustment Account (IAA), which is funded by member and employer IAA contributions to the plan. While future increases

are not guaranteed, inflation supplements, once granted, become part of the basic, guaranteed benefit.

On January 1, 2006, retired members received a full Consumer Price Index (CPI) increase of 3.4% (2005 – 1.8%). The plan transferred \$5,312,235 (2005 – \$2,515,613) from the IAA to the Basic Account to cover the capital cost of the indexing. Inflation increases to the pension may be provided each year based on changes in the CPI.

The trustees monitor the plan's ability to continue to provide non-guaranteed indexing benefits.

Plan Benefits

Pensions 2002-2006

Year Ended March 31	New Pensions during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid	\$ Millions Inflation Supplements Paid	Total Pensions Paid
2006	86	19	957	\$ 14.6	\$ 2.9	\$ 17.5
2005	62	19	890*	13.0	2.7	15.7
2004	73	22	847	11.9	2.5	14.4
2003	63	12	796	10.6	2.3	12.9
2002	37	16	745	10.1	2.1	12.2

New Pensions, by Type 2002-2006

Year Ended March 31	Regular*	Disability+	Deferred	Total
2006	69	5	12	86
2005	52	1	9	62
2004	60	5	8	73
2003	54	1	8	63
2002	28	5	4	37

* New pensions do not include any pension continued to a beneficiary upon the death of a retired member.

+ Includes members on long-term disability who became eligible for a regular pension.

Average Value of New Regular Pensions April 1, 2005 to March 31, 2006

Subdivided by years of service

Years of Service *	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension	Average Present Value of Pensions	Total Present Value of Pensions (\$ Millions)
<10 yrs	6	\$54,000	\$ 5,400	\$ 67,000	\$ 0.4
10-14	9	72,000	17,800	232,000	2.1
15-19	16	77,000	25,200	355,000	5.7
20-24	3	62,000	25,500	383,000	1.1
25-29	13	73,000	31,600	535,000	7.0
30-34	15	74,000	43,700	689,000	10.3
35	7	59,000	39,900	644,000	4.5
Total	69	n/a	n/a	n/a	\$ 31.1
Average of all Pensions	n/a	\$70,000	\$29,200	\$451,000	n/a

* Years of service includes service transferred from other plans.

Plan Benefits

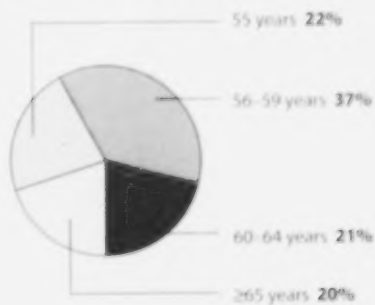
New Regular Pensions, by Age at Retirement

Subdivided by years of service and age at retirement

Years of Service	55	56-59	60-64	65	Total
<10 yrs	-	-	2	4	6
10-14	-	5	3	1	9
15-19	1	6	5	4	16
20-24	1	1	-	1	3
25-29	2	6	2	3	13
30-34	4	8	2	1	15
35	7	-	-	-	7
Total	15	26	14	14	69
Average Years	31	23	18	17	22
Average age 59					

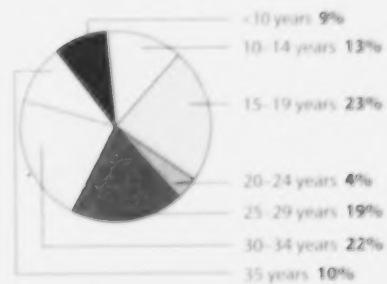
Percentage of New Regular Pensions By Age at Retirement

Normal Retirement Age 65



Percentage of New Regular Pensions by Years of Service

Normal Retirement Age 65



Termination and Refund Benefits

A terminating member may be eligible for one or more of the following benefits:

- ◆ a refund of contributions with interest;
- ◆ a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan; or
- ◆ a deferred pension.

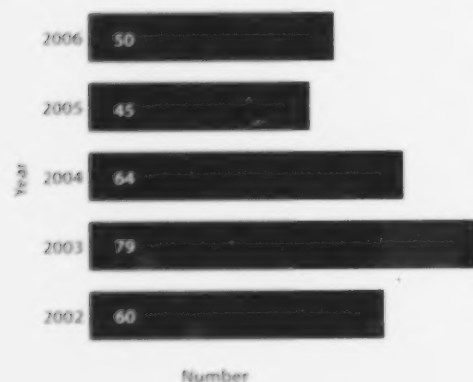
After January 1, 1998, a terminating member with two or more years of service can claim vested, locked-in benefits in the form of a transfer of the commuted value or a deferred pension.

The number and value of termination benefits paid can vary from year to year. In the year ended March 31, 2006, the number of termination and refund benefits increased, whereas the value decreased slightly.

If a non-vested member leaves the plan and takes a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the annual *Member's Benefit Statement*.

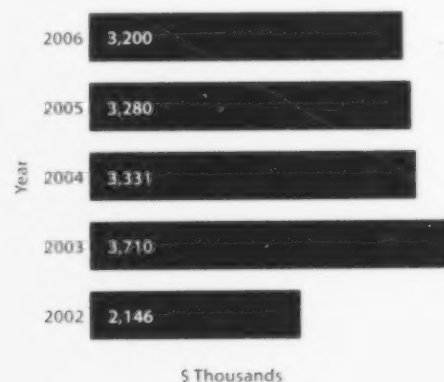
Number of Termination and Refund Benefits Paid

year ended March 31



Value of Termination and Refund Benefits Paid

year ended March 31



Termination and refund benefits paid include refunds of contributions and commuted value payments; deferred pensions are included in pension statistics.

Plan Benefits

Transferring Service

Transfer agreements allow pension plan members to carry pension rights from one plan to another. Members may carry their years of pensionable service and contributions to a new plan, at a different place of employment, if the new plan has an agreement with the Workers' Compensation Board Superannuation Plan. Employers that allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers". In order to transfer service, the member must have left their contributions on deposit, or reinstated service. Service may not always be transferred on a one-to-one basis, but depends on differences in plan benefits. Members of the WCB Superannuation Plan who have made contributions to another pension plan may want to inquire about transfer agreements.

Under the B.C. Public Sector Pension Transfer Agreement of April 1, 2004, transfer agreements are in place between the WCB Superannuation Plan and the BC public sector plans (College, Municipal, Public

Service and Teachers'). There were 44 reciprocal transfers-in from other pension plans and 26 transfers-out. The transfers-in totalled \$4.4 million; transfers-out totalled \$2.4 million.

Purchase of Additional Service

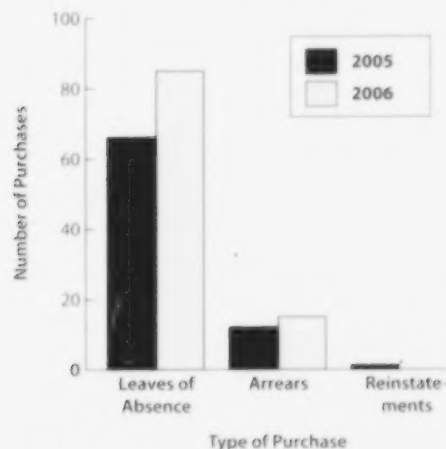
Members of the Workers' Compensation Board Superannuation Plan may be able to increase their future pension benefits by purchasing periods of past service. Purchasing service means paying for periods of employment that have not already been counted as service with the pension plan. This service may include:

- ❖ leaves of absence (maternity, parental, or other leave)
- ❖ arrears contributions (not enrolled but eligible to buy back missed contributions)
- ❖ other service (employment service before becoming a regular contributor), or
- ❖ reinstatements (contributions previously refunded from the plan).

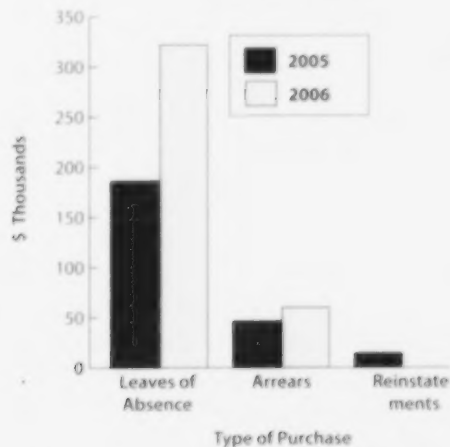
The number of purchases of additional service increased 27% from last year. The value of the purchases increased 55%.

Member and WCB Purchase of Additional Service

Number of Purchases
year ended March 31



Value of Purchases
year ended March 31



There were no "other service" purchases in 2005 or 2006.

Investments

Market Review

One of the major fiduciary roles of the trustees is the responsibility for overseeing the investment of approximately \$833 million in assets for the long-term benefit of the plan members. The most important issue for any pension plan is long-term results, and the goal is to achieve consistent and steady performance over the longer term based on a disciplined approach and prudent decision-making.

The trustees review the Statement of Investment Policy and Procedures (SIPP), approve the long-term asset mix for the investment of assets, and oversee the management of those assets through the plan's investment management agent, the British Columbia Investment Management Corporation (bcIMC).

Diversification of investments is a key principle in the investment policy. Investments are held in a range of asset types (e.g., bonds, equities, real estate), industry sectors, and global markets.

In 2005-06, the world economy continued to grow at a solid pace. In the last quarter of 2005, hurricanes in the United States resulted in higher energy and commodity prices, simultaneously raising concerns about slower economic growth and higher inflation. As well, trade imbalances among the United States, Japan, Europe and oil-exporting countries increased to the point where large changes in exchange rates may be required to maintain international economic stability and growth.

Against the backdrop of solid economic growth, monetary authorities in Canada and the United States continued to raise short-term interest rates. However, for much of the year, long-term interest rates failed to rise in response to higher short-term rates, as they have in the past. At the end of the first quarter of 2006, short-term rates had risen 1.3 percentage points from their year-earlier level, while 10-year bond yields were unchanged; yields on 30-year bonds actually fell. For the year, pension bond fund returns realized by the fund ranged from 4.7% (on the corporate bond funds) to 10% (on the long-term bond funds). It is likely that longer-term interest rates will respond eventually to higher short-term rates, suggesting that bond returns will be lower in the coming year.

In Canada, rising commodity and energy prices drove profits and capital investment. As a result, Canadian stock prices were sharply higher during the year, with bcIMC's Canadian equity funds earning between 24.4% and 28.7%.

INVESTMENTS

U.S. corporate profits also strengthened during the year, but stock prices rose less than in Canada. Returns on U.S. equities ranged from 7.8% to 19.1% in Canadian dollar terms. While respectable, these returns would have been higher had the U.S. dollar not depreciated 3.4% against the Canadian dollar during the year. Currency hedging was employed to offset the impact of the falling U.S. dollar on the value of foreign investments of the plan, producing gains of \$1.2 million.

Real estate returns of 24% far exceeded the benchmark return of 6.2%.

Overall, the plan's Basic Account produced an annual return of 14.5% in 2005/06, exceeding its benchmark of 12.2%. This was mainly due to strong performance by real estate, and the decisions to increase investments in Canadian and

non-North American equities, decrease investments in bonds and mortgages, and to hedge the U.S. dollar.

The five-year annualized return of the Basic Account was 7.0%, compared to the benchmark of 6.1%.

In today's capital markets there is still plenty of money chasing investment opportunities, notwithstanding short-term interest rate hikes by central banks. In addition, investor aversion to risk is minimal, although measures of market volatility have increased recently. Many assets appear to be overpriced, and it would not be surprising to see prices correct at some point. As a result, trustees are being prudent and assuming that the strong portfolio returns of the past year will not persist, but will revert to around 7-8% on average over the next four or five years.

Investment

Approved Investment Asset Mix

The WCB Superannuation Plan holds a diversified portfolio of debt and equity investments. Diversification of assets and investment styles is an important component of investment strategy for the fund because it decreases investment risk.

The trustees approved the asset mix range in the accompanying table. Targets for strategic and short-term allocation of assets must fall within the approved

asset mix. For purposes of the asset mix, short-term includes Canadian government bonds with one- to five-year terms and money market securities.

Basic Account Investment Asset Mix and Performance

March 31, 2006

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	30-50			
Short-term	0-10	4.7	2.5	2.4
Mortgages	0-10	3.6	5.8	3.4
Bonds	15-35	23.4	5.9	5.8
Real Return Bonds	0-10	4.6	9.0	11.8
Equity	50-70			
Canadian Equities	8-22	18.2	27.8	28.7
U.S. Equities	8-20	15.5	10.2	10.1
International Equities	7-20	16.4	21.1	20.2
Real Estate	5-15	11.1	24.0	6.2
Private Placements	0-10	2.5	**	**

* Benchmarks are standards to compare against actual investment returns.

** Annual rate of return not applicable.

Investments

Investment Portfolio

Investments consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly, based on the fair market value of the underlying assets. In the table below, all portfolios are pooled, except Real Return Bonds, which is directly held.

Investments Held as at March 31, 2006

	Market Value (\$ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	11,265	1.4
Bonds (1-5 years)	28,997	3.5
	<u>40,262</u>	<u>4.9</u>
Bonds		
Government	119,675	14.4
Corporate	40,489	4.9
Long-term	33,194	4.0
Real return	38,474	4.6
	<u>231,832</u>	<u>27.9</u>
Canadian Equities		
Indexed	79,572	9.6
Actively Managed	70,848	8.5
	<u>150,420</u>	<u>18.1</u>
U.S. Equities		
Indexed	87,485	10.5
Actively Managed	40,199	4.9
	<u>127,684</u>	<u>15.4</u>
International Equities		
Asia	23,858	2.9
Europe	40,964	4.9
Europe, Australia and the Far East	70,080	8.4
	<u>134,902</u>	<u>16.2</u>
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate	92,624	11.1
Mortgages	29,579	3.6
Private Placements	21,565	2.6
Foreign Currency	1,402	0.2
	<u>145,170</u>	<u>17.5</u>
Total Investments	\$830,270	100.0
2005 Comparison	\$ 722,641	

For further information on the investment portfolio, visit the British Columbia Investment Management Corporation website at www.bcimc.com.

Investments

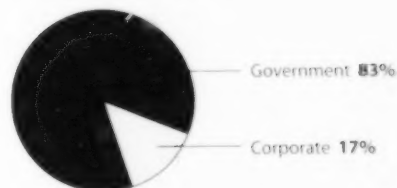
Investments Held as at March 31, 2006

Investments Holdings (Market Value)

\$ Millions



Bonds (Market Value)

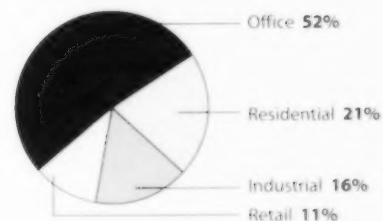


Canadian Equities (Market Value)



- Indexed:** A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite)
- Actively Managed:** A portfolio of securities that is designed to outperform a public market index

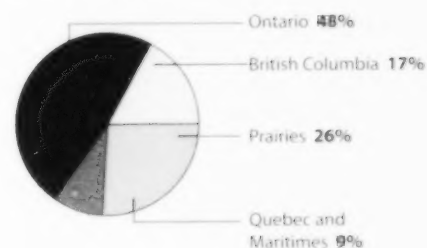
Real Estate, by Type



U.S. Equities (Market Value)



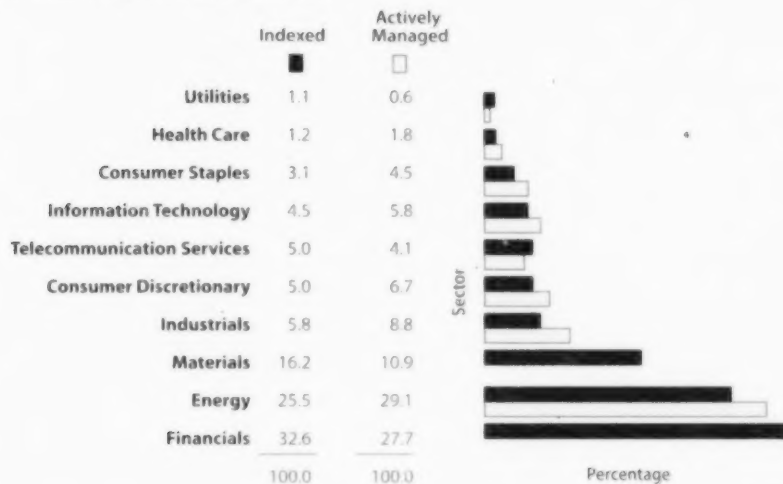
Real Estate, by Location



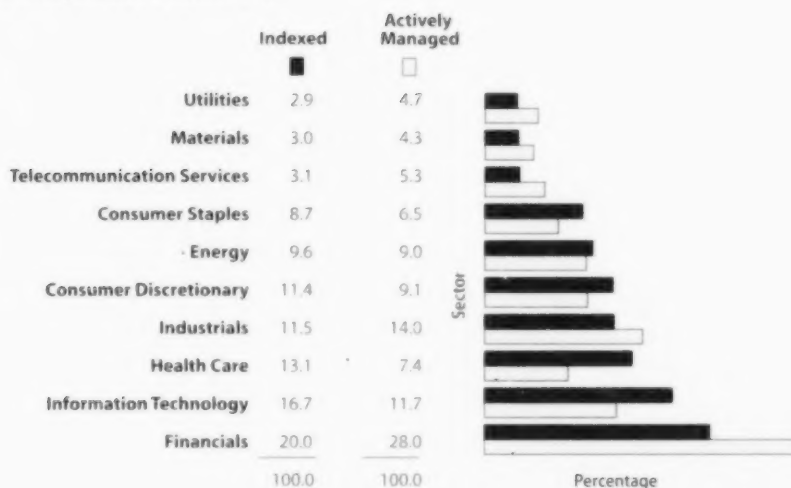
Investments

Investments Held as at March 31, 2006

Canadian Equities, by Sector (%)

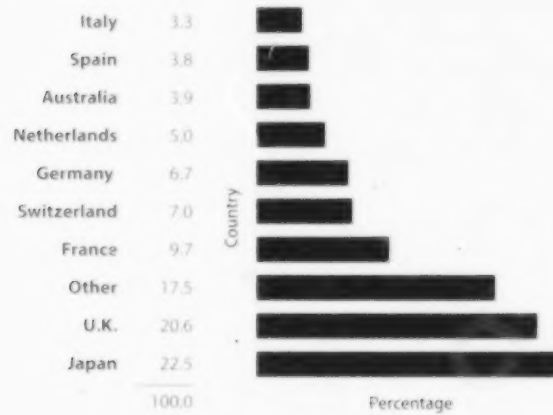


U.S. Equities, by Sector (%)



Investments Held as at March 31, 2006

International Equities, by Country (%)



Investments

Top Ten Holdings

Canadian Equities

Company	Market Value (\$ Thousands)	% of Total Canadian Equities
Royal Bank of Canada	7,330	4.9
Manulife Financial	6,774	4.5
Suncor Energy Inc	6,386	4.2
Encana Corporation	5,957	4.0
Toronto Dominion Bank	5,660	3.8
Bank of Nova Scotia	5,646	3.8
Canadian National Railway	3,521	2.3
Petro-Canada	3,444	2.3
Canadian Natural Resources	3,368	2.2
Bank of Montreal	3,345	2.2
Total Top Ten	\$ 51,431	34.2
Total Canadian Equities	\$150,420	100.0

U.S. Equities

Company	Market Value (\$ Thousands)	% of Total U.S. Equities
General Electric	3,677	2.9
Exxon Mobil Corp	3,569	2.8
Citigroup Inc	2,714	2.1
Microsoft Corp	2,492	1.9
Bank of America	2,389	1.9
American International Group	1,695	1.3
Procter & Gamble	1,660	1.3
Pfizer Inc	1,569	1.2
JP Morgan Chase & Co	1,500	1.2
Johnson & Johnson	1,498	1.2
Total Top Ten	\$ 22,763	17.8
Total U.S. Equities	\$127,684	100.0

International Equities

Company	Market Value (\$ Thousands)	% of Total International Equities
Total	2,427	1.8
BP	2,080	1.6
Royal Dutch Shell	1,928	1.4
Glaxosmithkline	1,625	1.2
Mitsubishi Corp	1,612	1.2
Vodafone Group	1,577	1.2
Novartis AG	1,560	1.2
HSBC Holdings	1,534	1.1
Nestle SA	1,412	1.0
Eneris SA	1,409	1.0
Total Top Ten	\$17,164	12.7
Total International Equities	\$134,902	100.0

Investments

Investment Performance

Market Value Rates of Return for the Year Ended March 31, 2006

	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)
Annual Rates			
2006	14.5	14.9	12.2
2005	7.7	7.8	6.8
2004	20.7	20.9	23.0
2003	-9.4	-7.8	-10.2
2002	4.1	4.0	4.2
Five-year Annualized Rates			
2006	7.0	7.5	6.1
2005	3.5	3.9	2.5
Ten-year Annualized Rates			
2006	8.9	9.2	**
2005	8.8	8.7	**
2006 Annual Rates by Investment Category			
			Basic Account Performance Benchmarks*
Short-term			
Money Market	2.9	2.9	2.8 SCI 91-Day T-Bill
Bonds	2.3	2.3	2.2 SCI Short-term Government Bond
Bonds			
Government	5.2	5.2	4.9 SCI Universe Bond
Corporate	4.7	4.7	4.9 SCI Universe Bond
Long-term	10.0	10.0	9.6 SCI Government Long-term Bond
Real Return	9.0	10.3	11.8 SCI Real Return Bond
Canadian Equities			
Actively Managed	24.4	24.4	28.7 S&P/TSX Capped Equity
Indexed	28.4	28.4	28.7 S&P/TSX Equity
Enhanced	28.7	28.7	28.7 S&P/TSX Equity
U.S. Equities			
Actively Managed	11.6	11.6	9.2 R 1000
Indexed	7.8	7.8	7.8 S&P 500
Value	10.8	10.8	11.3 S&P/Citigroup Value
Enhanced	8.9	8.9	8.9 R 1000/S&P 500
International Equities			
Asia	30.9	30.9	28.3 MSCI Pacific Net
Europe	18.2	18.2	16.3 MSCI Europe Net
Europe, Australia and the Far East	19.7	19.7	20.0 MSCI Europe, Australasia, Far East Net
Real Estate	24.0	24.0	6.2 CPI + 4%
Mortgages			
Fixed-term	5.6	5.6	3.3 SCI Short-term Bond + 1%
Construction	6.4	6.4	3.7 SCI One-year T-Bill + 1%
Specialty	6.6	6.6	5.2 SCI One-year T-Bill + 2.5%

* Benchmarks are standards to compare against actual investment returns.

** Benchmark not available.

Performance Benchmark Indices Abbreviations

CPI	=	Consumer Price Index
MSCI	=	Morgan Stanley Capital International
R	=	Russell
SCI	=	Scotia Capital Inc.
S&P	=	Standard & Poor's
S&P/TSX	=	Standard & Poor's/Toronto Stock Exchange

(Source of annual rates: British Columbia Investment Management Corporation)

Financial Health

Active plan members and WCB both contribute to the plan. Every three years, an independent actuary assesses the adequacy of the contribution rates for funding the pension plan. The latest valuation examined the plan as at March 31, 2003, and disclosed a net actuarial surplus of \$84 million. In order to strengthen the fund, the Workers' Compensation Board increased the employer's contribution rate by 2% of salary effective December 25, 2003, while maintaining employee contribution rates at previous levels. The next valuation will be as at March 31, 2006.

Latest Actuarial Valuation as at March 31, 2003

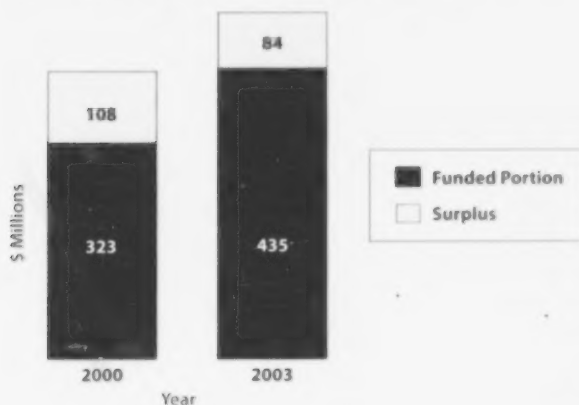
\$ Millions

	Basic Pension Benefits	
	2003	2000
Actuarial Net Assets	519	431
Actuarial Liabilities	435	323
Net Actuarial Surplus*	84	108

See Note 7 to the
Financial Statements for
additional explanation.

* After including the \$1 million of future costs for benefits in excess of the *Income Tax Act* limits, the surplus reduces to \$83 million (2000 - \$107 million).

Funding of the Total Basic Benefit Liability



Five-year Financial Summary

\$ Thousands

For the year ended March 31	2006	2005	2004	2003	2002
Increase (Decrease) in Assets					
Investment Income (Loss)*	\$ 106,123	\$ 52,328	\$ 115,253	\$ (54,072)	\$ 24,206
Contributions					
Employer	13,343	14,026	9,625	3,527	1,155
Members	10,021	9,878	9,620	7,009	5,846
Transfers from Other Plans	4,382	5,732	5,100	5,693	2,048
Total Increase (Decrease) in Assets	133,869	81,964	139,598	(37,843)	33,255
Decrease in Assets					
Pension Benefits	17,512	15,682	14,364	12,922	12,182
Termination and Refund Benefits	3,200	3,280	3,331	3,710	2,146
Transfers to Other Plans	2,412	5,424	1,965	1,120	520
Investment and Administration Costs*	1,311	* 1,149	1,192	916	841
Total Decrease in Assets	24,435	25,535	20,852	18,668	15,689
Increase (Decrease) in Net Assets	109,434	56,429	118,746	(56,511)	17,566
Net Assets Available for Benefits at Beginning of Year	723,327	666,898	548,152	604,663	587,097
Net Assets Available for Benefits at End of Year	\$832,761	\$723,327	\$666,898	\$548,152	\$604,663

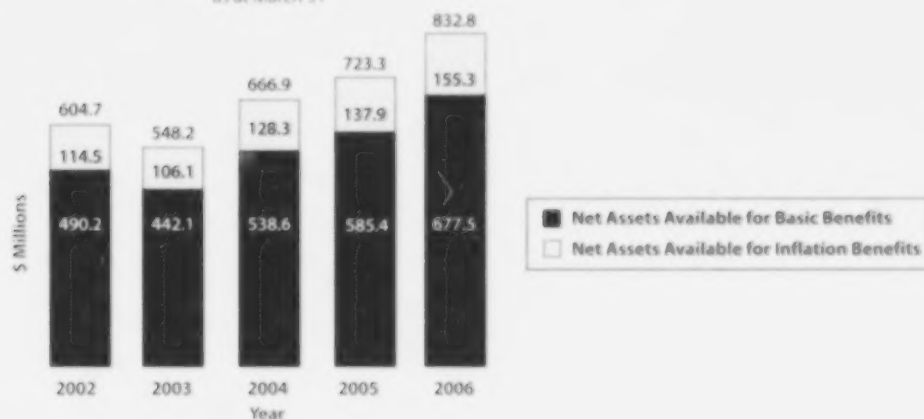
Investment and Administration Costs as a Percentage of Net Assets*

Investment Management*	0.19%	0.14%	0.15%	0.16%	0.14%
Benefit Administration	0.06%	0.06%	0.07%	0.05%	0.05%

* External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$775 thousand (2005 - \$335 thousand; 2004 - \$252 thousand; 2003 - \$260 thousand; 2002 - \$322 thousand) are not included in investment and administration costs, but are included in investment management costs as a percentage of net assets. These costs have been restated for comparative purposes.

Net Assets Available for Benefits

as at March 31



Financial Statements

PENSION CORPORATION

Executive Offices

Mailing Address:
PO Box 9460
Victoria BC
V8W 9V8

Location:
2995 Island Road
Victoria BC
V8T 5J9

Phone:
250 387-8201
1 800 661-8823
Fax:
250 951-0429

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

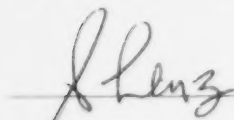
ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Workers' Compensation Board Superannuation Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the Plan. The Pension Corporation prepares the financial statements in accordance with Canadian generally accepted accounting principles and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Workers' Compensation Board Superannuation Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the Plan. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has been appointed the independent auditor to the Plan. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.



SANDRA LENZ, CA
Chief Financial Officer
British Columbia Pension Corporation



RON MILLARD, FCGA
Director, Finance
British Columbia Pension Corporation

July 14, 2006



KPMG LLP
Chartered Accountants

St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
www.kpmg.ca

AUDITORS' REPORT

To the Members of the Workers' Compensation Board Superannuation Plan

We have audited the statement of net assets available for benefits of the Workers' Compensation Board Superannuation Plan as at March 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at March 31, 2006 and the results of its operations and changes therein for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

Victoria, Canada

July 14, 2006



KPMG LLP is a Canadian limited liability partnership, the Canadian member of KPMG International, a Swiss incorporated association.

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
(\$ Thousands)

As at March 31	2006	2005
ASSETS		
Investments (Note 3)	\$ 830,270	\$ 722,641
Receivables		
Members' contributions	1,028	994
Employer's contributions	1,430	1,507
Accrued investment income	389	378
Due from sale of investments	182	228
	<u>3,029</u>	<u>3,107</u>
Cash	1	7
Total Assets	833,300	725,755
LIABILITIES		
Accounts payable and accrued expenses	487	535
Payable for purchase of investments	52	1,893
Total Liabilities	539	2,428
NET ASSETS AVAILABLE FOR BENEFITS	\$ 832,761	\$ 723,327

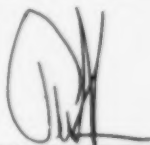
All accompanying notes are an integral part of these financial statements.

Actuarial Valuation of the Basic Account (Note 7)

Commitments (Note 10)



Sid Fattedad
Workers' Compensation Board of British Columbia
Trustee



Owen Carr
Workers' Compensation Board of British Columbia
Trustee

Financial Statements

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals	
				2006	2005
INCREASE IN ASSETS					
Investment income (Note 4)	\$ 85,592	\$ 20,531	\$ -	\$ 106,123	\$ 52,328
Contributions (Note 5)					
Members'	8,354	1,660	7	10,021	9,878
Employer's	11,563	1,666	114	13,343	14,026
	19,917	3,326	121	23,364	23,904
Transfers from other plans	3,432	950	-	4,382	5,732
Total Increase in Assets	108,941	24,807	121	133,869	81,964
DECREASE IN ASSETS					
Pension benefits					
Contributory	14,517	-	113	14,630	13,034
Indexing supplements	2,874	-	8	2,882	2,648
	17,391	-	121	17,512	15,682
Termination and refund benefits	2,121	1,079	-	3,200	3,280
Transfers to other plans	1,860	552	-	2,412	3,424
Investment and Administration costs (Note 8)	1,160	151	-	1,311	1,149
Total Decrease in Assets	22,532	1,782	121	24,435	25,535
INCREASE IN NET ASSETS					
BEFORE TRANSFERS	86,409	23,025	-	109,434	56,429
Account transfers (Note 6)	5,703	(5,703)	-	-	-
INCREASE IN NET ASSETS	92,112	17,322	-	109,434	56,429
NET ASSETS AVAILABLE FOR BENEFITS					
AT BEGINNING OF YEAR	585,387	137,940	-	723,327	666,898
NET ASSETS AVAILABLE FOR BENEFITS					
AT END OF YEAR	\$ 677,499	\$ 155,262	\$ -	\$ 832,761	\$ 723,327

Supplemental Benefits Account (Note 9)

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN

The following brief description of the Workers' Compensation Board (WCB) Superannuation Plan (Plan) is provided for general information only. For more information, please contact the WCB Compensation and Benefits Department.

a) General

The Plan is open to all eligible employees of the Workers' Compensation Board (WCB).

b) Roles and Responsibilities

The Workers' Compensation Board (WCB)

The Workers' Compensation Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. WCB appoints Plan trustees. Currently there are two trustees, one representing WCB as the employer and one representing Plan members.

British Columbia Investment Management Corporation (bcIMC)

bcIMC provides investment management services as an agent of WCB.

British Columbia Pension Corporation (Pension Corporation)

The Pension Corporation provides benefit administration services as an agent of WCB.

c) Contributions

Basic Account

Members contribute 4.5% of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable earnings (YMPE) (\$41,100 in 2005) and 6% of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5 and 9).

Employers contribute 6.5% of salaries up to and including the YMPE and 8% of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 5, 7 and 9).

Inflation Adjustment Account (IAA)

Members and WCB contribute 1.0% of salaries to the IAA.

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN (continued)

d) Pension Benefits

All members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with age plus years of service equalling 90 or more.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE) and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's highest five year average salary (HAS).

The Plan also provides a bridge benefit with CPP which is payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of the YMPE or the HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Notes 6 and 7).

At January 1, 2006 retired members received a full CPI increase of 3.4% (2005: 1.8%).

e) Termination and Portability Benefits

A terminating member who is eligible for a pension, but has not reached the earliest retirement age, may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements, or if under 60 with less than two years of contributory service, may choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

1. DESCRIPTION OF THE WCB SUPERANNUATION PLAN (continued)

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 9) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada), except for supplemental benefits (Note 9), which are funded in addition to the RPP. The Plan is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employer and members. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan. It does not purport to show whether these assets are adequate to meet all of the obligations of the Plan. The actuarial valuation of the basic account is included in Note 7.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date. Income and expenses from derivative contracts are recognized on the accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases of assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial surplus for the Basic Account. Actual results could differ from those estimates.

3. INVESTMENTS (FAIR VALUE)

	2006		2005	
	Basic	Inflation		
	Account	Adjustment	Total	Total
		Account		
	(\$ Thousands)			
Short-term	\$ 32,096	\$ 8,166	\$ 40,262	\$ 31,359
Canadian Bonds	189,106	42,726	231,832	225,296
Canadian Equities	122,714	27,706	150,420	137,630
U.S. Equities	104,289	23,395	127,684	105,554
International Equities	110,427	24,475	134,902	102,243
Foreign Currency	1,168	234	1,402	983
Mortgages	24,157	5,422	29,579	28,622
Real Estate	74,784	17,840	92,624	74,758
Private Placements	16,605	4,960	21,565	16,196
	<u>\$ 675,346</u>	<u>\$ 154,924</u>	<u>\$ 830,270</u>	<u>\$ 722,641</u>

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

3. INVESTMENTS (FAIR VALUE) (continued)

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bcIMC. Each unit entitles the holder to a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 10).

The mortgages are secured by real estate and are valued using current market yields. Real estate is valued quarterly by bcIMC's external real estate investment managers and at least once every ten to eighteen months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on audited financial statements from private placement external managers.

The Plan also uses derivative contracts held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

Basic Account Canadian bonds of \$643 thousand (2005: \$0 thousand) are being held in a collateral account for a future investment opportunity (Note 10).

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

4. INVESTMENT INCOME

	2006			2005
	Current Period			
	Income Allocation	Change In Fair Value	Total	Total
	(\$ Thousands)			
Basic Account				
Short-term	\$ 1,014	\$ (355)	\$ 659	\$ 516
Canadian Bonds	8,648	3,072	11,720	11,494
Canadian Equities	2,314	23,175	25,489	15,204
U.S. Equities	2,668	9,408	12,076	1,836
International Equities	2,479	16,504	18,983	4,925
Foreign Currency	31	(103)	(72)	27
Mortgages	1,310	64	1,374	1,146
Real Estate	1,180	12,712	13,892	6,737
Private Placements	36	1,435	1,471	287
	<u>\$ 19,680</u>	<u>\$ 65,912</u>	<u>\$ 85,592</u>	<u>\$ 42,172</u>
Inflation Adjustment Account				
Short-term	\$ 256	\$ (96)	\$ 160	\$ 135
Canadian Bonds	1,971	840	2,811	2,804
Canadian Equities	530	5,787	6,317	3,131
U.S. Equities	605	1,847	2,452	890
International Equities	554	3,773	4,327	1,145
Foreign Currency	6	(21)	(15)	10
Mortgages	299	16	315	276
Real Estate	277	3,047	3,324	1,615
Private Placements	42	798	840	150
	<u>\$ 4,540</u>	<u>\$ 15,991</u>	<u>\$ 20,531</u>	<u>\$ 10,156</u>
Total Investment Income	<u>\$ 24,220</u>	<u>\$ 81,903</u>	<u>\$ 106,123</u>	<u>\$ 52,328</u>

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

5. CONTRIBUTIONS

	2006			2005	
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
	(\$ Thousands)				
Members' contributions					
Regular	\$ 8,212	\$ 1,630	\$ 7	\$ 9,849	\$ 9,754
Arrears	25	3	-	28	24
Leave of absence	117	27	-	144	86
Reinstatement	-	-	-	-	14
	<u>\$ 8,354</u>	<u>\$ 1,660</u>	<u>\$ 7</u>	<u>\$ 10,021</u>	<u>\$ 9,878</u>
Employer's Contributions					
Regular	\$ 11,364	\$ 1,631	\$ 114	\$ 13,109	\$ 13,766
ERIP	19	5	-	24	138
Arrears	28	4	-	32	22
Leave of absence	152	26	-	178	100
	<u>\$ 11,563</u>	<u>\$ 1,666</u>	<u>\$ 114</u>	<u>\$ 13,343</u>	<u>\$ 14,026</u>
Total Contributions	<u>\$ 19,917</u>	<u>\$ 3,326</u>	<u>\$ 121</u>	<u>\$ 23,364</u>	<u>\$ 23,904</u>

Member and employer contributions are as defined under the Plan rules.

In 2005, employer contributions were increased by 2% of salaries, retroactively to December 25, 2003. Employer regular contributions of \$781 thousand are included above for this retroactive period (Note 7).

Member regular Basic Account contributions were \$8,219, thousand, of which \$7 thousand was allocated to the Supplemental Benefits Account. Employer regular Basic Account contributions were \$11,478 thousand, of which \$114 thousand was allocated to the Supplemental Benefits Account (Note 9).

6. ACCOUNT TRANSFERS

	2006		2005	
	Basic	Inflation	Basic	Inflation
	Account	Adjustment	Account	Adjustment
	Account		Account	
	(\$ Thousands)			
Present value of current indexing				
supplements	\$ 5,312	\$ (5,312)	\$ 2,516	\$ (2,516)
Indexing of deferred pensions	391	(391)	265	(265)
Excess Interest	-	-	-	-
	<u>\$ 5,703</u>	<u>\$ (5,703)</u>	<u>\$ 2,781</u>	<u>\$ (2,781)</u>

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

6. ACCOUNT TRANSFERS (continued)

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing employer and member contributions (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended March 31, 2003 through 2006. Excess interest is based on investment income earned on Basic Account assets required for pensions currently being paid, approximately \$170 million of assets for 2006 (2005: \$150.7 million). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return and the rate of return used by the actuary (6.5%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2006 was 0.50% (2005: -3.0%), resulting in a positive excess interest amount of \$0.8 million (2005: \$4.5 million negative excess interest). The remaining cumulative negative excess interest amount is \$12.2 million (2005: \$12.2 million) which includes interest applied for 2006 of \$0.8 million (2005: \$0.3 million). This cumulative negative excess interest amount of \$12.2 million will be offset against future positive excess interest amounts before positive excess transfers will resume.

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is also paid. Future indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore, accrued basic pension benefits for valuation purposes includes the liability for all indexing granted to the date of the valuation, but not for as yet unknown future indexing.

The latest full actuarial valuation was made as at March 31, 2003, by Eckler Partners Ltd., the results were as follows:

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT (continued)

<u>As at March 31</u>	<u>2003</u>	<u>2000</u>
	<i>(\$ Millions)</i>	
Net assets available for basic pension benefits	\$ 442	\$ 500
Five year market value smoothing adjustment	77	(69)
Net actuarial assets for basic pension benefits	519	431
Liability for accrued basic pension benefits	(436)	(324)
Actuarial surplus	<u>\$ 83</u>	<u>\$ 107</u>

The next full actuarial valuation will be as at March 31, 2006 for inclusion in the March 31, 2007 financial statements.

Based on the results of the 2003 actuarial valuation, an increase in the employer contribution rate was not required. However, after considering the overall financial position of the Plan, the actuary suggested an increase to reflect the full cost of ongoing benefits. Therefore, in October 2004, the Workers' Compensation Board decided that effective December 25, 2003, the employer contribution rate would increase by 2.0% of salaries.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to March 31, 2006, using the following long-term actuarial assumptions:

- annual investment return 6.5% (2000 : 7.0%)
- annual salary escalation rate 3.5% (2000 : 4.5%)

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT (continued)

On this basis, the extrapolated value of the surplus is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits As at March 31	2006	2005
	(\$ Millions)	
Extrapolated actuarial assets, beginning of year	\$ 599	\$ 557
Account transfers	6	3
Current year contributions	20	21
Net transfers from (to) other plans	2	-
Pension, termination and refund benefits	(20)	(18)
Interest accrued on assets	39	36
Extrapolated actuarial assets, end of year	<u>\$ 646</u>	<u>\$ 599</u>
Extrapolated Actuarial Liability for Accrued Basic Pension Benefits As at March 31	2006	2005
	(\$ Millions)	
Extrapolated liability for accrued basic pension benefits, beginning of year	\$ 512	\$ 474
Account transfers	6	3
Current period benefit cost	22	22
Net transfers from (to) other plans	2	-
Pension, termination and refund benefits	(20)	(18)
Interest accrued on liability	33	31
Extrapolated liability for accrued basic pension benefits, end of year	<u>\$ 555</u>	<u>\$ 512</u>
Extrapolated surplus, March 31	<u><u>\$ 91</u></u>	<u><u>\$ 87</u></u>
Fair value of Basic Account net assets available for benefits	\$ 677	\$ 585
Fair value changes not reflected in extrapolated actuarial value of net assets	(31)	14
Extrapolated actuarial value of net assets available for benefits	<u>\$ 646</u>	<u>\$ 599</u>

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increase, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long term assumptions used in the extrapolation.

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

8. INVESTMENT AND ADMINISTRATION COSTS

	2006	2005
	(\$ Thousands)	
Investment Management	\$ 800	\$ 712
Benefit Administration	433	375
Other Professional Services	78	62
	<u>\$ 1,311</u>	<u>\$ 1,149</u>

bcIMC is a related party to the Plan as WCB is represented on bcIMC's Corporate Board.

Costs for investment management services charged by bcIMC include costs for the recovery of internal and external investment management fees except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of \$775 thousand (2005: \$335 thousand) representing the external management costs incurred by wholly owned corporations of the investment pooled funds are not included in the above amount.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by WCB.

Other professional services include actuarial and audit fees.

Separate from the Plan, the Workers' Compensation Board pays directly for the medical plan and extended health care premiums for retired members and their dependents. For the year ended March 31, 2006 this amounted to \$1,635,537 (2005: \$1,360,577).

9. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed *Income Tax Act* (Canada) limits for registered pension plans are paid through this account.

10. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at March 31, 2006, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately \$39.2 million (2005: \$21.3 million).

**WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006**

10. COMMITMENTS (continued)

During 2006, bcIMC established a collateral account pledged as security for a future investment opportunity that will not be funded until 2009. As at March 31, 2006, \$643 thousand of Basic Account Canadian bonds are being held as collateral for an investment commitment of \$542 thousand.

11. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of currency risk, interest rate risk, and market risk. Foreign currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Foreign Currency Risk

Foreign currency exposure arises from the Plan's holdings of foreign currency denominated investments and related derivative contracts. Foreign currency forward contracts are used to manage a portion of the currency exposure. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

Interest Rate Risk

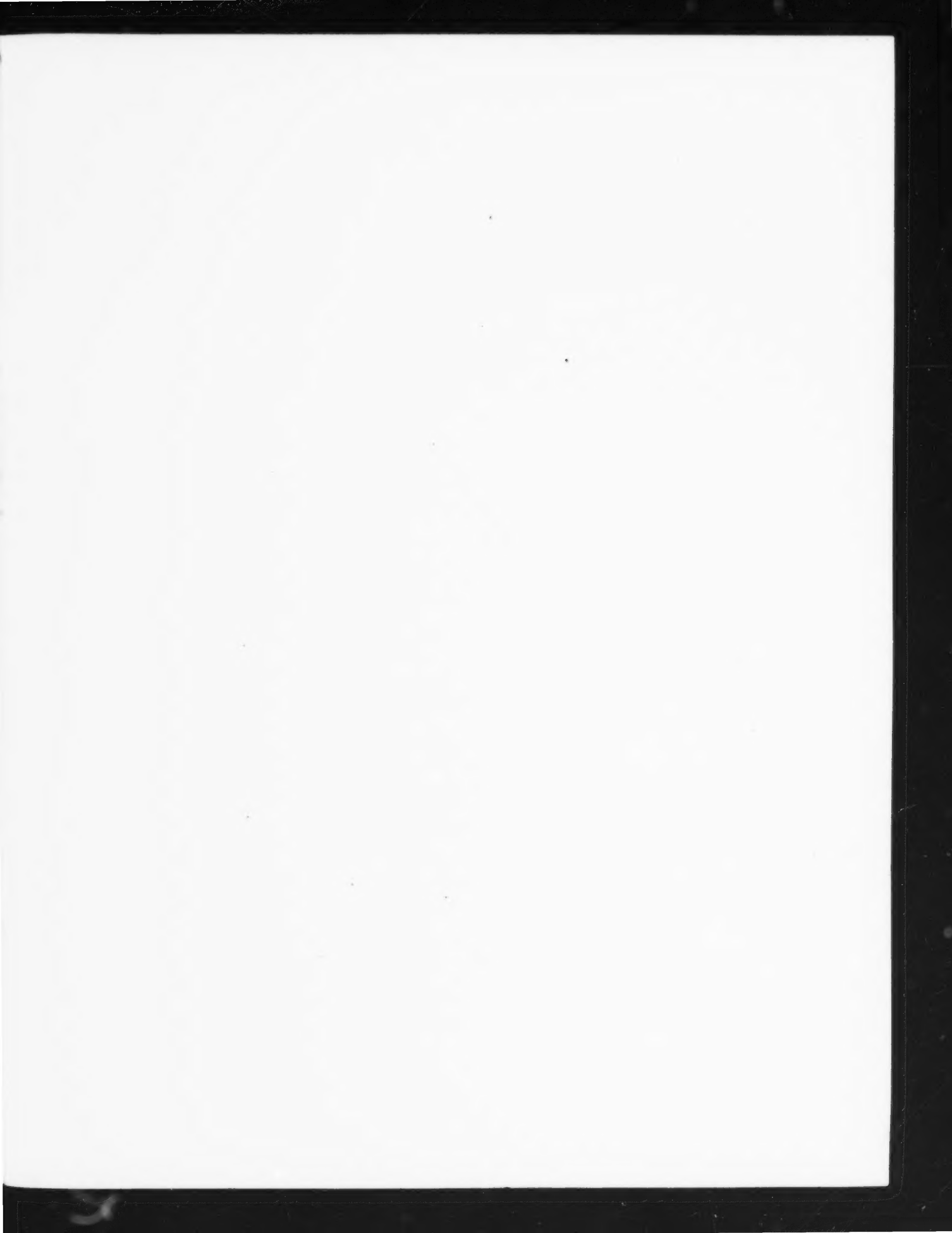
The value of the Plan's assets is affected by changes in interest rates and their effect on capital markets. Actuarial liabilities are affected by changes in long-term market interest rates.

Market Risk

WCB approves the long-term asset mix policy for investment assets and oversees the management of these assets through WCB's investment management agent, bcIMC. Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk

The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher as rated by the Dominion Bond Rating Service or equivalent.



This publication is produced by the
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